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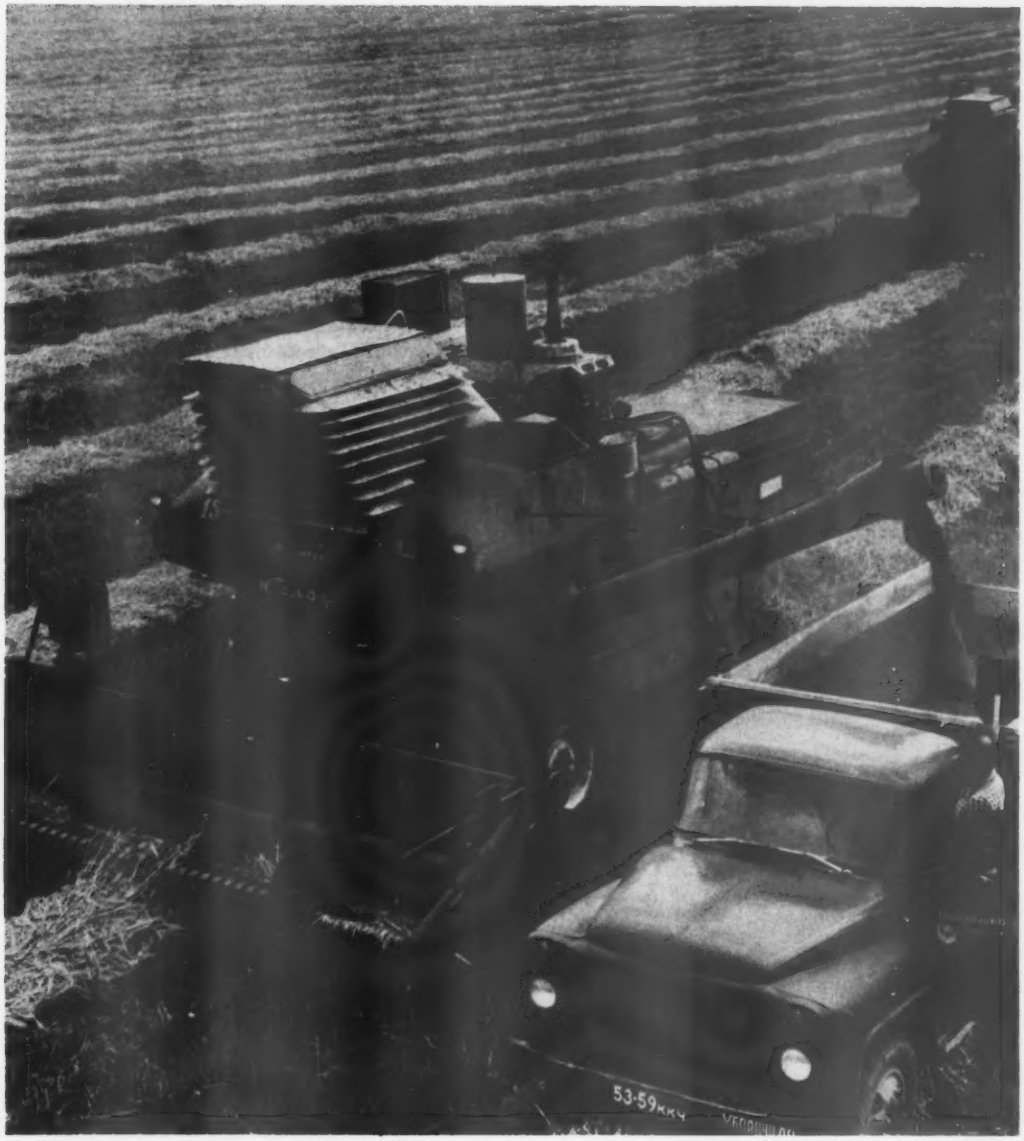

Harvesting grain in the USSR's Kuban

Brazil's Soybean Outlook

USSR Reports on 1975 Farm Shortfall

March 15, 1976

Foreign Agricultural Service
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This week's cover:

Soviet workers use combines to harvest grain in the USSR's Kuban. The drought that affected many USSR agricultural areas in 1975 caused the grain harvest to fall substantially short of goals. Report on Soviet crop shortfalls begins on page 6 (Novosti photo).

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Brazil—A Major Soybean Producer—Ups Area, Output

By JOSEPH SOMERS
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BRAZIL has become a major world soybean producer-exporter in a relatively short time—a position achieved mainly by increase in yields and acreage.

Both production and exports are expected to rise sharply in 1976. This year's crop is forecast at 11.3 million tons—up 16 percent from last year's.

In 1970, Brazil harvested 1.5 million metric tons of soybeans on 3.3 million acres, and in 1975 an estimated crop of 9.7 million tons was harvested from 14.2 million acres.

Yields in 1975 averaged 25 bushels per acre, nearly 47 percent greater than 1970's yield of 17 bushels.

"... Brazil's sharply increased exports of soybeans have moved into traditional U.S. markets in Europe and Asia."

In 1976 yields will remain much the same, but acreage will jump to 16.5 million acres.

But more important than Brazil's rapid increase in soybean production is its new status as the major competitor of the United States in export markets for oilseeds and products.

In calendar 1975, Brazil's combined exports of soybeans and meal (meal basis) at 5.8 million tons was nearly eight times the 1970 volume.

In comparison, U.S. exports of soybeans and meal (meal basis) in 1975 at 13.7 million tons were only 4 percent above the 1970 volume.

The increase in Brazil's combined exports of soybeans and oil (oil basis) is even greater, with 1975 exports estimated at about 850,000 tons—800,000 tons more than in 1970. However, U.S. exports of soybeans and oil on a soybean oil basis in 1975 were about 9 percent below the 1970 volume.

Brazil's sharply increased exports of soybeans have moved into traditional U.S. markets in Europe and Asia. The greatest inroads have been made in the European Community (EC) and in East European countries.

In 1970, Brazil accounted for only 8 percent of combined exports (meal basis) from Brazil and the United States to EC countries and 13 percent to East European countries.

But by 1975 (January-September), these percentages had increased to 38 and 58, respectively.

Soybean oil exports during the 1975 (January-September) period were about 180,000 tons for Brazil and slightly more than 280,000 tons for the United States. However, for markets common to both countries, export volumes were approximately equal.

Until recently—and before export trade competition increased—Brazil shipped most of its export availabilities each year before September, when the United States harvested its new crop.

But with larger crops, Brazil is becoming a year-round supplier, and in 1975 soybeans and products may for the first time have been the leading Brazilian export, surpassing both sugar and coffee in trade importance.

On a crop-year (April-March) basis, soybean exports for the 1975/76 year are estimated at 3.8 million tons—almost 1 million tons above those of the previous year. In 1976/77, Brazil's soybean exports are projected to increase by 700,000 tons to 4.5 million tons. A part of this increase is expected to move to the Soviet Union.

Soybean oil exports for the 1975/76 crop year are estimated at 290,000 tons compared with only 16,000 tons in 1974/75. During April-December 1975, exports averaged 28,000 tons per month as shipments moved freely throughout the season without the re-

straining effects of Government embargoes, as in some previous years.

This increased movement has been primarily the result of adequate supplies in the domestic market, caused largely by the substantial oil stock carryover from production in the 1974/75 crop year.

In 1976/77, soybean oil exports are expected to be greater than in 1975/76, with exports projected at 350,000 tons. Again, part of this increase will be a result of a large stock carryover.

Soybean meal exports for 1975/76 are estimated at just over 3 million tons. In 1976/77, a 500,000-ton increase is forecast, with meal exports placed at about 3.5 million tons. Although soybean meal is used for both poultry and swine, the bulk of the meal is exported.

Brazil's soybean meal consumption in 1975/76 is estimated at a record 1 million tons—up nearly 200,000 tons from the previous year's level. Although cattle in Brazil are normally grass-fed, a large part of the increase reflected the July 1975 frost that aggravated dry grazing conditions. As a result, soybean meal was used as supplemental feed until rains revived the pastures.

Soybean meal consumption is forecast to increase to 1.2 million tons in 1976/77, partly reflecting the anticipation of reduced cottonseed meal availabilities.

The crush for the 1975/76 crop year is forecast at slightly more than 5 million tons, almost 1 million tons above that of the previous year. A 900,000-ton increase is projected for 1976/77, with crush at 5.9 million tons.

Brazil's theoretical oilseed crushing capacity is roughly 7 million tons, and new crushing facilities under construction could increase total oilseed crushing capacity to about 7.7 million tons.

The Government assumed a new role in 1975/76 of consultation and planning with cooperatives, exporters, and crushers—a modification of its previous role of alternately issuing and revoking export licenses.

Although the Government still licenses all exports by each industry, the respective industries now have a clearer understanding of their positions. Cooperatives received the greatest share of soybean export licenses, and in August 1975 received in addition the crushers' rights to export soybeans.

Prior to August 1975, crushers were allowed to export as beans up to 10 percent of their allocation of beans for crushing. Subsequently, crushers were allowed to export more soybean oil than under earlier arrangements, with the stipulation that adequate stocks be maintained for domestic consumption.

The new arrangement appears to have prevented market disruptions and domestic shortages of vegetable oil.

In February the Government announced that its export policy for soybeans and products would continue unchanged in 1976/77. The Bank of Brazil's Office of External Trade (CACEX) will continue to exercise some control over export sales. CACEX directly controls soybean exports, while the oilseed products syndicates control soybean product export, under supervision of CACEX.

The Government also has indicated its intent to aid farmers in maintaining producer prices. In mid-1975, the Government said it would purchase, if necessary, 1 million tons of soybeans from farmers at Cr$75 per 60-kilo bag (at that time the equivalent of $4.32 per bushel) and stock them until prices improved.

Prices subsequently improved, following sales to the Soviet Union, and it was unnecessary for the Government to purchase beans.

However, the supply situation raised questions concerning the adequacy of storage capacity.

UNITED STATES AND BRAZIL: EXPORTS OF SOYBEANS AND PRODUCTS

Item	United States exports			Brazil exports			Brazil's exports as share of U.S. and Brazil		
	1970	1974	1975 (Jan.-Oct.)	1970	1974	1975 (Jan.-Oct.)[1]	1970	1974	1975 (Jan.-Oct.)
	1,000 MT	*1,000 MT*	*1,000 MT*	*1,000 MT*	*1,000 MT*	*1,000 MT*	*Percent*	*Percent*	*Percent*
Soybeans:									
European Community	4,700	6,850	4,365	193	2,253	2,090	4	25	32
Other Western Europe	1,246	1,681	1,153	39	356	657	3	17	36
Eastern Europe	138	127	116	58	—	[2]193	30	0	62
Other	5,870	5,282	3,839	—	121	101	0	2	3
Total	11,954	13,940	[3]9,473	290	2,730	3,041	2	16	24
Soybean meal:									
European Community	2,494	3,134	2,110	412	1,145	1,379	14	27	40
Other Western Europe	123	214	127	27	118	162	18	36	56
Eastern Europe	554	791	472	56	627	860	9	44	65
Other	490	771	366	30	131	118	6	15	24
Total	3,661	4,910	3,075	525	2,021	2,519	13	29	45
Soybean oil:									
Bangladesh	—	14	7	(4)	(4)	12	(4)	(4)	63
People's Republic of China	—	—	—	(4)	(4)	11	(4)	(4)	100
Iran	77	155	63	(4)	(4)	56	(4)	(4)	47
Morocco	32	20	1	(4)	(4)	39	(4)	(4)	98
Peru	33	56	17	(4)	(4)	19	(4)	(4)	53
Tunisia	26	24	10	(4)	(4)	14	(4)	(4)	58
Turkey	3	1	6	(4)	(4)	29	(4)	(4)	83
Other	510	489	198	(4)	(4)	30	(4)	(4)	13
Total	681	759	302	3	2	210	(4)	(4)	41

[1] Latest period for which destination data are available. [2] Includes soybean exports to the USSR. [3] Soybean exports are adjusted via transshipments through Canada. [4] Not available.

Brazil's current storage capacity for bulk commodities (including sugar) is estimated at about 35 million tons. Another 2.5 million tons are to be added this year, and the goal is a total 45 million tons by 1979.

Storage bins are also being built on farms, so that farmers will have an added degree of flexibility in marketing their crop.

The Brazilian Government has also undertaken a policy of negotiating long-term agreements with other countries. If successful, these agreements would give Brazil guaranteed markets.

Besides long-term agreements, Brazil has expanded its sales to include exports of soybeans to the Soviet Union and exports of beans and oil to the People's Republic of China (PRC) during 1975/76. The Soviet Union and the PRC are not traditional markets for soybeans and products.

In January, a long-term agreement with Japan was proposed, involving ex-

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BRAZIL: SUPPLY AND DISTRIBUTION, SOYBEANS AND PRODUCTS, MARKETING YEARS BEGINNING APRIL 1, 1973-76
(In million metric tons)

Product	1973	1974	Forecast 1975	Projection 1976
Soybeans:				
Production	5.00	7.50	9.72	11.30
8 percent seed and waste	.40	.60	.78	.90
Exports	1.79	2.86	3.80	4.50
Estimated crush	2.60	4.05	5.04	5.90
Estimated stock change	+ .21	− .01	+ .10	.00
Meal:				
Production 79.5 percent	2.07	3.22	4.01	4.69
Exports	1.37	2.41	3.00	3.50
Apparent domestic disappearance	.70	.81	1.01	1.19
Oil:				
Production 17.7 percent	.46	.72	.89	1.04
Exports	.08	.02	.29	.35
Apparent domestic disappearance	.38	.55	.63	.68
Estimated stock change	.00	+ .15	− .03	+ .01

Brazil's Soybean Yield and Acreage Leap

Largely responsible for the surge in Brazil's soybean production are greatly increased acreage and yields.

Rio Grande do Sul—the largest soybean producing State—in 1975 accounted for 54 percent of the country's harvested area and 49 percent of production. Soybeans are double cropped with wheat, which reduces production costs and increases profits.

Soybean yields in Rio Grande at 22-23 bushels per acre have not increased as rapidly as in Paraná and some other producing states, possibly as a result of the lack of fertilizer after prolonged land use in crop production.

To reduce soil acidity, the Federation of Wheat Cooperatives (FECOTRIGO) in July 1975 announced that it would supply lime at below-market prices, beginning in 1976. Farmers in Rio Grande would be the main recipients of this lime. Also, the Government of Brazil is offering fertilizer to farmers at a 40 percent discount.

Paraná, the second largest producing State, in 1975 accounted for 31 percent of soybean area and 36 percent of production. Yields in 1975 averaged 29.4 bushels per acre—65 percent above the 1970 yield of 17.8 bushels per acre. As in Rio Grande, beans are double-cropped with wheat, but wheat acreage in Paraná is considerably less.

São Paulo, the third largest soybean producing State, in 1975 accounted for about 7 percent of area and production. The other producing States of Santa Catarina, Minas Gerais, Goais, and Mato Grosso have considerable potential for future expansion in soybean production because of the vast areas—especially in Mato Grosso—not currently in productive use.

However, any major expansion of production in these areas must necessarily await clearing of land and development of adequate transport.

This year's anticipated 16 percent gain in production primarily reflects expanded acreage to 16.5 million acres, but less favorable growing conditions are expected to hold yields unchanged at 25 bushels per acre.

Some of this year's increase in plantings resulted from a shift from coffee following last year's freeze. The largest individual area increase—19 percent—is in Paraná.

In August 1975, the Brazilian Coffee Institute announced a program of financial aid to coffee producers to grow such crops as soybeans, peanuts, rice, corn, wheat, and sunflowers between the rows of the coffee trees that were damaged by frost.

An increase in soybean area was expected in São Paulo, but many growers apparently have since decided to shift to rice and corn.

In Rio Grande, the increase in area is forecast at 10 percent, but the increase for Santa Catarina, Minas Gerais, Goais, and Mato Grosso combined is expected to be as high as 58 percent.

However, despite the combined increase in these four states, the absolute increase in production will be mainly a result of increases in the two largest producing states.

Early this year, Paraná and Rio Grande were hit by wet weather. Flooding has been reported in Paraná, but does not appear to be serious. Although there has been some replanting of soybeans in Paraná, harvesting nevertheless was expected to begin in February. Excessively wet weather in Rio Grande has caused some planting to be delayed to the latter part of January.

A Look at Brazil's Export Incentives for Soybeans

By JAMES TRURAN
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With the increased interest in the world vegetable oil situation—and with Brazil the second largest exporter of soybean oil after the United States—a look at Brazil's export incentive program and how it affects soybean products seems appropriate.

BRAZIL'S soybean incentives most often are in the form of exemptions from one or more taxes or favorable credit terms and encourage shipment of processed products—such as soybean meal and oil—over exports of the actual raw materials.

Incentives available. Brazilian Government documents, trade data, and other information show the role played by two important taxes in encouraging soybeans exports. One is the Industrialized Products (IPI) tax, a value-added federal tax on processing that ranges up to 60 percent for some products. Another is the ICM tax, a value-added State sales tax ranging up to 14 percent on domestic sales and 13 percent on exports. Sales of soybean products enjoy varying levels of exemptions from these taxes in both the domestic and export markets, plus certain related tax credits.

As the table shows, the IPI tax is not applied on soybean products. Soybeans, as a "raw material," are not subject to the tax, while meal and bulk oil sales have a tax rate of zero.

The value-added state sales tax, ICM, is levied in the domestic market on soybeans and oil only. The actual incidence of this tax varies from state to state and region to region. Soybean meal, on the other hand, is exempt from ICM taxes in the domestic market as an incentive for increased usage within Brazil.

The incidence of the ICM tax on export sales is considerably different. Beans are subject to the full 13 percent tax rate when exported. Meal exports are taxed at a lower rate of 5 percent, which encourages crushing of the soybeans within Brazil. And exports of soybean oil are not subject to the ICM tax at all.

IPI and ICM credit schemes also favor soybean oil sales. Beans and meal both receive no tax credits, while the Minister of Finance allows 7 percent IPI and ICM tax credits for oil shipments. These credits may be used to offset any other IPI and ICM tax liabilities the exporting firm has from any type of action whatsoever.

If the exporter can not write off his credits with domestic sales, the excess can be carried over to the following fiscal year, transferred to other establishments of the same conglomerate, transferred to suppliers, or—as a final resort in the case of IPI credits under certain restrictive circumstances—be obtained at cash.

When the Brazilian Government wants to extend the credit incentive to a processed agricultural product not normally benefiting from the incentives because the IPI tax rate is "0" or "not taxable," the Ministry of Finance issues an ordinance creating an IPI tax for the purpose of calculating the credit only.

Soy products benefit from other incentives. For instance, pretax profits earned from the export of soybean oil are exempted from the income tax liability, whereas pretax profits from sales of soybean meal and soybeans are subject to the full corporate tax rate of 30 percent. Soybean oil and soymeal since 1971 have had available a special export financing scheme, authorized under a Central Bank resolution permitting loans at an 8 percent interest rate. And crushers benefit from a drawback system that exempts import duties for machinery destined for production of exports.

Effects of export incentives. The IPI and ICM tax incentives suggest a program to encourage production and exports of processed goods over raw-material exports. The export price for beans will be roughly equal to the domestic price (all taxes included) while meal exports should be, theoretically, 5 percent more expensive than the domestic price of meal. Soybean oil, however, will be considerably cheaper when sold in the export market since the domestic price will include the 14 percent ICM tax.

The other aspect of the IPI-ICM tax structure is the credit provided on soybean oil exports. The rate is established for the purpose of calculating the credit only and is treated as if there were an IPI tax paid. (Note: Exports of manufactured goods, which are subject to the IPI tax, would automatically receive a credit.) Thus, the export price for soy oil could be reduced by 14 percent with no loss in profits to the exporter.

THE EFFECT of the tax credit could be different from a 14 percent reduction in oil prices. The 7 percent ICM portion of the credit could be used to offset the 5 percent ICM tax on meal exports since oil and meal are joint final products for a crusher. A crusher could, however, avoid the 5 percent tax on meal exports by selling meal in the untaxed domestic market. (Currently the domestic market absorbs roughly 25 percent of the soybean meal produced.)

The income tax exemption applies toward export earnings from soybean oil only and thus provides an incentive for firms to increase the ratio of foreign sales to domestic sales of oils up to maximum levels authorized by the

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BRAZIL'S IPI AND ICM TAXES ON DOMESTIC AND EXPORT SALES OF SOY PRODUCTS
[In percent]

Product	IPI tax		ICM tax		Export credit (IPI+ICM)
	Domestic	Exports	Domestic	Exports	
Soybeans	(1)	(1)	2 up to 14	12.5	(1)
Soybean meal	0	0	0	5	(1)
Soybean oil	0	30	2 up to 14	0	14

1 Not applicable. 2 Depends on State. 3 On bulk sales.

USSR Report Reveals Extent Of 1975 Agricultural Shortfalls

By FLETCHER POPE, JR.
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THE EFFECTS of the severe, widespread drought during 1975 on Soviet agriculture are clearly reflected in plan fulfillment results published February 1 in the Moscow press.

Shortages of soil moisture were already present at the beginning of the 1975 growing season in the Volga Region, the southern part of the Urals Region, and the western part of Kazakhstan.

Continued hot, dry weather during the spring and summer caused this drought to intensify and to spread westward over the most important agricultural regions in the European USSR and eastward over much of the New Lands area in northern Kazakhstan and western Siberia.

The effects of this drought are reflected not only in the small harvests reported for some crops and reduced numbers of certain types of livestock, but also in the omission of some data that usually are published in such reports.

Gross agricultural production in 1975 had a reported value of 90 billion rubles (officially, 1 ruble=$1.30; unofficially, this rate is discounted), which, according to the Moscow press, was "12 percent more than the average of the eighth 5-year plan (1966-70)."

The 1975 level of production was 6 percent less than that in 1974 and 8 percent below the record set in 1973. In fact, the 1975 performance (the last year of the ninth 5-year plan period) exceeded by only 3-4 percent the 1970 production level (the last year of the eighth 5-year-plan period), or less than 1 percent growth per year.

However, average agricultural output during 1971-75 exceeded that for the period 1966-70 by 13 percent, or an average of about 2.5 percent growth per year.

The Soviets reported that the 1975 grain crop totaled only 140 million tons, more than a third or about 75 million tons less than planned and the smallest since the 1965 harvest, which totaled only 121 million tons.

In comparison with recent levels of production, the poor 1975 grain crop was 28 percent less than the mediocre 1974 harvest and 37 percent below the record 1973 harvest.

A record 2 million tons of rice were harvested in 1975 but data on production of other individual grains, such as wheat and corn, were not included in the report. In addition, the report did not indicate the amount of grain procured by the Government.

The 1975 plan-fulfillment report contained production data on only three of the four major industrial crops. The size of the sugarbeet crop was not published.

THE 1975 COTTON CROP was a half-million tons smaller than the record 8.4 million tons (unginned) gathered in 1974. (The 1975 harvest was adversely affected by a shortage of irrigation water and rainy, freezing weather before harvesting was completed.)

Sunflowers were severely affected by the drought in the southeastern part of European USSR and only 5 million tons of sunflowerseeds were harvested. Thus, the 1975 sunflowerseed crop was about equal to the poor 1972 crop but was about a fourth less than the amount harvested in 1974 and only about two-thirds of the amount planned for 1975.

Fiber flax was the only crop for which a production figure was given in the 1975 report that was not included in the 1974 plan-fulfillment report. The 1975 fiber flax crop of 487,000 tons was almost a fifth larger than the poor 1974 crop.

Production of potatoes and vegetables in 1975 showed mixed results. The 1975 potato crop at 88.5 million tons exceeded that of a year earlier by almost a tenth, mainly because the 1974 crop was small. The 1975 potato crop, however, was almost equal to the 1971-75 average.

Vegetable production was described as about equal to the average of the ninth 5-year plan. Thus, at an estimated 23 million tons, the vegetable crop would be the third largest on record, exceeded only by the 1973 and 1974 crops.

The limited feed supplies from the very unfavorable 1975 crop season resulted in decreases by January 1, 1976, in livestock herds—except cattle—and poultry numbers (Table 1).

In view of smaller amounts of hay, haylage, silage, and straw than were stored in 1974 and poor pasture growth in many regions during 1975, it is surprising that total cattle numbers on January 1, 1976, were at a record level—about 2 million head larger than a year earlier—and that this increase occurred in cattle other than cows.

During 1975, privately owned cattle numbers decreased by more than 1 million, about equally divided between cows and other cattle. But cattle herds in the socialized sector (collective and State farms and other State agricultural enterprises) at the beginning of 1976 were 3 million head larger than a year earlier, including a half-million more cows and 2.5 million more cattle other than cows.

These data would suggest that the Soviets are attempting to carry the cattle herd through the winter, even though they are largely on maintenance feed rations. Heavy culling of cows and particularly other cattle would seem to have been logical in view of the tight feed situation.

However, rather than being kept on maintenance rations for the entire winter, many of these cattle perhaps have been kept on full feed rations during the first part of the winter in order that they may be slaughtered to help maintain the supply of meat to consumers during the early part of this year.

HOG NUMBERS on January 1, 1976, were a fifth smaller (14.5 million fewer head) than a year earlier. Decreases during 1975 occurred in both the socialized and private sectors.

Percentagewise, the decrease in the private sector was only about half of that in the socialized sector, but in absolute terms the private sector accounted for only a tenth of the total decrease in hog numbers during 1975.

Heaviest slaughtering of hogs—at least in the socialized sector—occurred during the third quarter of 1975, aug-

menting overall meat supplies for consumption during the latter part of 1975.

More than 4 million fewer sheep and goats were present in Soviet flocks on January 1, 1976, than a year earlier. Decreases also occurred in both socialized and privately owned sheep and goats. However, the drop in the private sector was almost double the 1.5-million-head slump in the socialized sector and was almost equal to a tenth of the total number of sheep and goats in the private sector.

Soviet plan-fulfillment reports do not contain data on poultry numbers. However, data received from the Soviets under the U.S.-USSR agricultural agreement show that—as with the concentrate-consuming hogs—poultry numbers were also reduced during the last half of 1975—at least in the socialized sector. These data show that the 369 million head of poultry on collective and State farms on January 1, 1976, were 8 percent fewer than a year earlier.

As with hogs, the drop in poultry numbers in the private sector probably was not as large as in the socialized sector. Thus an overall decrease in poultry numbers of roughly 5 percent during 1975 seems reasonable.

The data in the plan-fulfillment report on production and procurement of livestock products do not clearly reflect the impact of the drought (Table 2), mainly because these data pertain to 1975 as a whole and the effects of the drought on livestock production were largely confined to the second half of the year.

For the whole year, only milk production showed a decline when compared with that in 1974—and then it was only 1 percent. However, milk yields per cow in late 1975 were down rather sharply. Although collective and State farms had 2 percent more cows, milk production in October/November 1975 was down 4 percent, compared with that of a year earlier.

Meat production in 1975 was 600,000 tons, or 4 percent more than in 1974, mainly because of the heavy slaughter of hogs and poultry during the third quarter of 1975.

As a result of this slaughter, meat production on collective and State farms during July-September 1975 was 16 percent or 616,000 tons more than during the corresponding period in 1974.

During October/November 1975, however, production on these farms was 14 percent or 440,000 tons less than in the previous year, clearly reflecting the impact of the drought and the heavy slaughter in the preceding months.

Top: Gathering hay on a Soviet collective farm.
Above: A herdsman on a Soviet breeding farm heads his crossbred cows across the steppe for summer grazing. Soviet cattle herds at the beginning of 1976 were 2 million head larger than a year earlier.

Under these conditions, it is surprising that the increase in meat procurement between 1974 and 1975 was less than the increase in production.

The drought also held down the amount of the increases realized in 1975 for egg and wool production, compared with those of 1974. Egg production during the first half of 1975 on collective and State farms—which accounts for over half of total egg output—was running 9 percent ahead of production a year earlier, but slumped to a 5 percent advantage during July-November. Total egg output in the USSR during 1975 increased 4 percent.

The adverse effect of the limited feed supplies from the 1975 crops on the production of most livestock products is expected to continue through the first half of 1976.

The Soviets continued to give agriculture relatively high priority in the allocation of resources during 1975. Capital investment totaled 31 billion rubles—9 percent more than in 1974—including 20.3 billion rubles invested by the State and 10.7 billion by collective farms.

Capital invested by the State in agriculture was 11 percent more than in 1974. About 1 ruble out of every 5 invested in Soviet agriculture was spent on land reclamation.

The amount of capital invested in land reclamation in 1975 was 15 percent more than in the previous year, and

larger areas of reclaimed land were put into use.

Newly irrigated land totaled 1.3 million hectares, compared with more than 1 million in 1974. Of this area, 550,000 hectares represented irrigation of improved pastures, compared with an increase of more than 500,000 hectares in 1974.

About 1 million hectares of drained land were put into use, compared with more than 800,000 hectares in 1974. Water for livestock was provided over areas totaling 10.3 million hectares, compared with 9.5 million hectares in 1974.

(These reclaimed areas, however, do not represent net additions to the total irrigated and drained areas, since some reclaimed land goes out of use each year.)

Deliveries of mineral fertilizers to Soviet agriculture totaled 75.4 million tons in 1975, including 2.2 million tons of feed phosphates. Thus, agriculture received 84 percent of the 90.2 million tons of mineral fertilizers produced in the Soviet Union in 1975, a slightly higher proportion than the 82 percent received in 1974.

The quantitative increase over 1974 in mineral fertilizers delivered to agriculture was about 9.5 million tons. The production of chemicals for the protection of plants in 1975 totaled 438,000 tons, 52,000 tons or 13 percent more than in 1974.

The amount of machinery delivered to agriculture in 1975 continued to increase. Deliveries of agricultural machines listed in the 1975 plan-fulfillment report were generally equal to or greater than the numbers supplied to agriculture during 1974. However, deliveries of milking machines in 1975 totaled 54,000—4,000 fewer than were delivered in 1974.

Construction of livestock facilities continued at a good pace during 1975, but not more rapidly than in 1974.

Barns to house 14 million head of livestock were built during 1975, compared with 13.6 million in 1974.

On the other hand, poultry houses were completed for only 18 million birds, almost a fourth less than the housing for 23 million built in 1974.

The pace in construction of specialized livestock complexes in 1975 was not much better than in 1974. Complexes to fatten 1.4 million head of swine exceeded those for 1.1 million completed in 1974.

Special poultry "factories" were completed for 9 million layers, 2 million less than in 1974, and for 27 million broilers, 1 million more than in 1974.

The Soviets achieved considerable success in fall seeding and fall plowing, in spite of the dry conditions. The plan-fulfillment report states that 36 million hectares were seeded to winter grains and 114 million hectares were plowed for seeding this year.

The winter grain area seeded was about 1 million hectares more than planned and 2 million hectares more than were seeded in the fall of 1974.

Nevertheless, dry soil conditions in the southern part of the European USSR apparently interfered with seeding in this winter wheat area. Thus, seeding last fall in the northern part of the winter grain area apparently was expanded, suggesting that the amount of winter rye sown was larger than normal.

The area plowed last fall was about equal to the amount planned, but was about 2 million hectares less than was plowed the previous fall.

Winter grains in the Soviet Union were in poorer than optimum condition when they became dormant last fall because of dry weather. Also, severe cold in February probably damaged the winter grains, particularly in the southeastern part of European USSR, where the snow cover was not adequate to protect the plants.

USSR: DELIVERIES OF SELECTED AGRICULTURAL MACHINES

Machine	1974 *Units*	1975 *Units*
Tractors	347,000	370,000
Trucks	250,000	269,000
Grain combines	83,000	92,000
Beef harvesters	16,000	17,000
Forage harvesters	68,000	70,000

TABLE 1—USSR: LIVESTOCK NUMBERS ON JANUARY 1, 1974-76

Livestock category	1974	1975	1976	1976 change from 1975
	Million	*Million*	Millions	Percent
Total livestock:				
Cattle	106.3	109.1	111.0	+ 2
Cows	41.5	41.9	41.9	0
Other cattle	64.8	67.2	69.1	+ 3
Hogs	70.0	72.3	57.8	—20
Sheep and goats	148.5	151.2	146.9	— 3
Socialized sector:				
Cattle	81.7	84.6	87.6	+ 4
Cows	27.0	27.7	28.2	+ 2
Other cattle	54.7	56.9	59.4	+ 4
Hogs	56.4	58.6	45.6	—22
Sheep and goats	116.4	119.2	117.7	— 1
Private sector:				
Cattle	24.6	24.5	23.4	— 4
Cows	4.5	14.2	13.7	— 4
Other cattle	0.1	10.3	9.7	— 6
Hogs	13.6	13.7	12.2	—11
Sheep and goats	32.1	32.0	29.2	— 9

TABLE 2—USSR: PRODUCTION AND PROCUREMENT OF LIVESTOCK PRODUCTS, 1974 AND 1975

Livestock product	1974	1975	change
	Million metric tons		Percent
Meat (carcass weight):			
Production	14.6	15.2	+ 4
Procurement	10.6	10.9	+ 3
Milk:			
Production	91.8	90.8	— 1
Procurement	55.8	56.3	+ 1
	Billion eggs		
Eggs:			
Production	55.5	57.7	+ 4
Procurement	30.9	33.1	+ 7
	Thousand metric tons		
Wool:			
Production	461	463	0

Portugal, Israel, and France Had Large Tomato Harvests

By RONALD Y. UYESHIRO
Foreign Commodity Analysis, Fruits and Vegetables
Foreign Agricultural Service

PRODUCTION of tomatoes for processing during 1975 was greater than in 1974 in Portugal, Israel, and France, but lower in Italy and Greece.

Portugal's 1975 crop of processing tomatoes was placed at 770,000 metric tons, up 9 percent from 1974's.

Grower prices for the 1975 crop were held at the 1974 level of the equivalent of $49.10 and $41.60 per ton for first- and second-quality tomatoes, respectively.

Although the 1975 crop of processing tomatoes was larger than in 1974, output of tomato paste was estimated at 133,000 tons, down slightly from 1974's by 2 percent. This lower output was attributed mainly to a poor fresh-to-processed conversion ratio because many tomatoes were damaged during movement from field to plant as a result of wider use of bulk hauling equipment.

The total supply of tomato paste in 1975 is placed at 179,200 tons, up from 1974's by 32 percent. Of this quantity, about 150,000 tons are expected to be exported, ahead of last year's by 69 percent. Expected carryover from the 1975 season is estimated at 28,600 tons, a decline of 38 percent from the 1974 level.

Sizable exports of paste are expected to be shipped to new markets such as USSR, East European countries, and African countries. The USSR for the first time purchased 30,000 tons of paste.

Israel's 1975 production of processing tomatoes was placed at 157,000 tons, up by 91 percent from that of 1974. Only 90 percent was harvested because of depressed demand for final products.

Grower prices for the 1975 crop ranged from the equivalent of $74.65 to $84.50 per ton, with an average equivalent $67.60 per ton, up 16 percent from the year-earlier level.

Israel's product mix was dominated by tomato juice, canned tomatoes, and paste, at 50,000, 10,000, and 5,000 tons, respectively—increases of 100, 72, and 35 percent above levels of a year earlier. About 50 percent of this production is expected to be exported.

France's 1975 processing tomato crop was estimated at 279,000 tons, up 22 percent from 1974's.

Price received by growers for the 1975 crop was established at about $80.90 per ton, near the 1974 level.

Preliminary 1975 production of tomato concentrates (28 percent solids) and other tomato products was placed at 33,000 tons each, up by 18 percent and down by 7 percent from the 1974 levels, respectively.

Because prices of French tomato products are higher than those of most other producers in the Mediterranean area, the French industry is faced with marketing problems. This situation has slowed exports and maintained imports —particularly from Italy—despite the larger French 1975 pack.

To alleviate this problem, the Government has provided assistance in the form of export subsidies and grants for stocks. The subsidy for exports destined for third countries except Canada and the United States is reported at an equivalent of $189.90 per ton for tomato concentrates and about $1 per gallon for tomato juice. These subsidies reportedly are still not sufficient to make the French industry competitive in the world markets.

Italy's 1975 planted acreage was estimated at 109,211 hectares, smaller by 4 percent than that of the previous year. Total fresh production is placed at 3.35 million tons, 8 percent below 1974's. About 600,000 tons were unharvested in 1975, largely because of disputes between growers and processors over regulated prices and rainy conditions during this period.

Only a few Government-owned plants paid the higher grower prices agreed to in July 1975, while most of the industry paid lower prices than in 1974. In Emilia, these lower prices for tomatoes destined for paste and canned whole processing averaged $62.40 and $80.20 per ton, respectively, down by an average of 6 percent from the 1974 levels.

In Campania, prices averaged $60.92 and $99.60 per ton, respectively, 25 percent lower than those of 1974. Because of high carryover and lower domestic consumption of canned whole tomatoes, the 1975 exportable quantity of 170,000 tons is slightly larger than 1974's. Exports of paste in 1975 are estimated at 91,000 tons, down 12 percent from those of 1974.

In recent years, Italian export markets have undergone a change. The EC market has become more important while the United States, Mideast, and the developing countries have become less so because of competition from Greece, Turkey, Morocco, and Tunisia. Even so, the Italian share of the EC market has shrunk.

Greece's 1975 harvested area totaled 20,500 hectares, up from 1974's by 14 percent. Total 1975 production was placed at 1,150,000 tons, of which 250,000 tons were unharvested because of poor marketing prospects. Another 100,000 tons were channeled to the fresh market, leaving a net of 800,000 tons for processing, down by 14 percent from the 1974 level.

The established 1975 price paid to growers by processors was the equivalent of $41 per ton, the same as in the previous year. The Government paid tomato growers about $20.60 per ton for the unharvested tomatoes. About 96 percent of the 1975 fresh tomato tonnage destined for processing was packed as tomato paste, which totaled 115,000 tons of finished product—down by 10 percent from the 1974 level.

DEMAND FOR TOMATO products in the international market has softened considerably, causing market problems for the major exporters. Consequently, carryover stocks of tomato paste from the 1974 crop were estimated at 40,000 tons at the start of the 1975 season.

The volume of paste exports for 1974 totaled 62,640 tons, near the 1973 level. Paste exports for 1975 are forecast at 60,000 tons, with about 75 percent heading to the EC market.

Because of the dim marketing situation, the Government has announced that 1976 output is to be limited to 100,000 tons of paste. This limitation is expected to be achieved through a production area allocation scheme.

JAPAN'S ECONOMY TO SHOW STRONG RECOVERY IN '76

JAPAN's $478 billion economy (estimated value of gross national product in 1975) appears to be recovering steadily from the effects of both inflation and recession, and is expected to show strong recovery in the second half of 1976.

The country's balance of trade improved considerably in 1975 as the value of exports held virtually unchanged—despite the worldwide recession—and the value of imports declined nearly 7 percent.

Value of agricultural imports from the United States dropped about 10 percent in 1975, with some decline in quantity (feedgrain, soybeans, and cotton) as well as reduced prices (wheat, soybeans, and tobacco). The value of pork imports from the United States increased to more than $100 million, compared with $11 million in 1974.

Based on Japanese customs data, the value of imports from the United States in 1975, at $11.6 bililon, c.i.f., exceeded the value of exports to the United States ($11.1 billion, f.o.b.) for the first time in 8 years. However, on a global basis, the value of exports was about $55.8 billion, f.o.b., compared with total import value of about $57.8 billion, c.i.f.

Japan's oilseed processing industry sustained losses in 1975 estimated at more than $200 million, largely because of purchases of beans at high prices and subsequent decline in oil and meal prices. However, the livestock industry is showing signs of improvement, which should add strength to the meal market. The oil market, nonetheless, may remain depressed in 1976.

Textile demand has not expanded as was expected. Large imports of textiles have caused the industry to request Government action to limit imports.

Japan's continued emphasis on food self-sufficiency is expected to result in only slight increases in production of wheat, barley, and soybeans. However rice production again could exceed domestic consumption.

Fruit and vegetable production will continue to expand in 1976, and the poultry and swine industries are expected to recover to some extent from the cutback of 1975, but total meat production probably will be only slightly greater this year than last because the increases in poultry and pork will be largely neutralized by lower beef production.

For key commodities, here is the outlook for production and trade in 1976:

Cotton: Consumption declined sharply again in 1975 as the expected upturn in demand failed to materialize. An industry-wide agreement brought about a 40 percent cut in cotton yarn production, which helped to reduce yarn stocks to more manageable levels.

Raw cotton imports in 1975 were 692,000 metric tons, compared with nearly 800,000 tons in 1974. The U.S. share was about 207,000 tons (32 percent), down from 303,000 tons (38 percent) in 1974.

The reduced textile inventory position means that the industry will expand production fairly quickly when consumers expand their purchases. Consumers have increased savings and postponed purchases for nearly 2 years, so demand for apparel and other textile products could expand rapidly.

Cotton imports are forecast to expand in 1976 about 5 percent to 700,000 tons, based on the anticipated recovery in the second half of calendar 1976, more than offsetting a continued weak demand in the first half. Imports from the United States are expected to increase to about 250,000 tons.

Dairy and poultry: Dairy cows and heifers on farms totaled 1,787,000 head, including 910,000 milk cows, as of February 1, 1975—an increase of 2 percent over numbers on the same date a year earlier. The number of dairy farms declined to 160,000 on February 1, 1975, from 178,000 on the same date a year earlier, but the average size of herds increased from 9.8 head in 1974 to 11.2 head in 1975.

Because of expanded use of butter for reconstituting purposes, stocks have been depleted and 1976 should see increased imports of butter—possibly 15,000 tons. In 1975, butter imports amounted to 3,000 tons.

Poultry numbers on February 1, 1975, were 233,403,000 birds—145,743,000 layers (a drop of 3.7 percent from the year-earlier total) and 87,659,000 broilers (down 1.5 percent from the year-earlier level).

IMPORTS of eggs increased dramatically in 1975. The volume equivalent of about 1.35 million eggs was imported in dried and frozen form to cover the shortfall in domestic production.

Imports are expected to level off during 1976, since stocks have been built to much higher levels than in previous years.

Oilseeds and products: Area planted to soybeans in 1975 was 7 percent smaller than that planted in 1974, despite higher price supports and continuation of the incentives payment program. The producer price for 1976 probably will exceed the equivalent of $20 per bushel, but production likely will total less than the 126,000 tons produced in 1975.

Demand for soybean oil was strong during the first part of 1975 and resulted in imports of oil as meal demand remained stagnant. However, later in the year demand for oil weakened and interest in meal strengthened so that imports of meal are now being considered.

Imports of soybeans in calendar 1975 were estimated at 3.2 million tons, slightly below 1974's level, but imports in 1976 are forecast to increase to 3.3 million tons.

Rapeseed production in 1975 amounted to 7,300 tons, down 20 percent from the 1974 level. Peanut output was 70,500 tons (unshelled), 22 percent below the 1974 total.

Total production of vegetable oils (edible and inedible) declined 6 percent in 1975 to 990,000 tons. Consumption of edible oil declined about 5 percent, reflecting the general cut in consumer spending. Imports of all vegetable oils in 1975 were 240,000 tons, a 28 percent increase over the previous year's total.

Imports of U.S. soybean oil in 1975 were about 11,000 tons, while total palm oil imports at 11,000 tons were slightly below those of 1974. However, imports of palm oil are expected to expand to 130,000 tons in 1976.

Fruits and vegetables: Reflecting difficulties with surplus production, area planted to mikans declined 2 percent in 1975 to 169,000 hectares, continuing the decline begun in 1974. Area in mature trees increased 4 percent to 140,000 hectares.

Excellent weather and below-target results of the thinning program (Japan's version of a citrus marketing order) combined to produce a record crop of 3,639,000 tons. A further decline in mikan area is expected over the next 2-3 years.

Trade difficulties over the use of fungicides resulted in a sharp decline in lemon imports during 1975. Grapefruit imports also were down because of the market situation, Caribbean fruit fly difficulties, and fungicide problems.

RETAIL lemon prices were erratic in late spring-early summer 1975, rising as high as the equivalent of $1.50 per fruit at times because of imports turned back at the ports and other difficulties.

Fresh oranges and orange juice concentrate imports remain under tight quantitative restrictions. Kyodo Kaju (a quasi-Governmental juice marketing company) began marketing a mikan-valencia juice blend in January 1976, after nearly 3 years of delay.

Besides being the largest supplier of Japan's citrus imports, the United States also is Japan's leading supplier of raisins (17,191 tons imported from the United States in 1975), sweet almonds (5,282 tons), fresh grapes (1,292 tons), prunes (744 tons), fresh strawberries (318 tons), orange juice (595 kiloliters), grape juice (445 kiloliters), lemon juice (466 kiloliters), and fresh papaya (1,460 tons). Imports of fresh deciduous fruit from the United States are prohibited by plant quarantine regulations.

Weak consumer demand was a major cause of the decline in 1975 imports of fresh and frozen vegetables. Imports of many vegetables (e.g., carrots, potatoes, sweet potatoes, tomatoes, cabbage, broccoli, and cauliflower) are prohibited by plant quarantine regulations.

Foodgrain: Rice area in 1975 increased only slightly, but excellent weather resulted in production of 16.4 million tons (paddy), 7 percent more than the amount called for in the Government plan. The 5-year rice diversion program ended with the 1975 crop. However, the 1976 budget includes a program to encourage other crops on paddy land.

Rice stocks are expected to expand sharply in 1975/76 to about 2,180,000 tons (milled) on October 31, compared with 1,580,000 tons a year earlier. In spite of its goal of building reserve stocks to 2 million tons, the Government was not prepared for the sudden increase.

Rice imports have been of glutinous rice (*mochigome*), with about 16,00 tons coming from the United States in calendar 1975. Incentive programs to expand domestic production of this type of rice in 1974 and 1975 have proven successful, and import requirements in 1976 will be reduced sharply.

Wheat imports in 1975 are estimated at 5.6 million tons, 5 percent greater than in 1974. The U.S. share was 3 million tons or 54 percent, compared with 56 percent in 1974 and 67 percent in 1973. Stocks on December 1 were estimated at 1,140,000 tons, compared with 930,000 tons a year earlier. Imports in 1976 are forecast at 5.7 million tons, with the U.S. share 3.2 million tons or 56 percent.

Feedgrain: Barley production declined to 221,000 tons in 1975, compared with 233,000 tons in 1974. Yields dropped slightly because of rain at harvesttime. Planted area is expected to increase in 1976 from the 78,000 hectares planted in 1974 and 1975 because of anticipated increases in incentive payments. Production in 1976 is forecast at 250,000 tons.

Feedgrain imports in 1975 are estimated at 12.8 million tons, 9 percent below the 14 million imported in 1974. Imports included 7.4 million tons of corn and 3.7 million tons of grain sorghum, both sharply below the 1974 levels, and 1.5 million tons of barley, slightly above the 1974 level. The U.S. share declined further to 57 percent from 65 percent in 1974. Imports from South Africa and Canada increased.

The landed price of corn in 1975 declined from the equivalent of about $170 per ton to $144 in July, when it became apparent that the United States would harvest a large crop. After the USSR made sizable purchases, the price moved up and in November was $154 per ton. Ocean freight rates were in the $10-$15 per ton range most of the year .

Reflecting declining import prices, mixed feed prices were reduced by about $27 per ton on April 1 and $17 per ton on July 1. However, as world grain prices moved up, feed prices were increased by the equivalent of $20 per ton November 1. The average mixed feed price in January was about $243 per ton, compared with $267 in January 1975. On February 1, mixed feed prices were reduced $12 per ton.

If the economy shows strong recovery and the livestock industry is confident of future profits, feedgrain imports could expand substantially in 1976.

Livestock and products: 1975 was a turnaround year for the Japanese livestock industry. Declining feed costs and quantum jumps in product prices (especially for beef) improved profitability for livestock producers. Hog inventories, however, are just beginning to show signs of expansion. Beef cattle numbers are expected to expand slightly.

Total red meat production in 1975 was an estimated 1,246,000 tons, and is forecast to remain at about the same level in 1976. Beef output is expected to decline about 12 percent and pork to increase about 4.5 percent.

The beef stabilization program initiated on May 1, 1975, sets controls to maintain domestic wholesale beef carcass prices within an established range. The program has maintained prices near the maximum pirce, but at great expense to the Japanese consumer.

The system has separate floor and ceiling prices for Wagyu and dairy steer beef. When the ceiling price is reached, beef theoretically should be imported in sufficient volume to cause the price to decline to the ceiling price. But this has not been the case. It has served more to slow the rise above the maximum price. Quotas have been announced on a stop-go basis—i.e., 10,000 or 20,000 tons at a time to cover specific shipping periods.

Virtually all beef must be imported by designated trading companies that must turn over all purchases to the Livestock Industry Promotion Corporation (LIPC) for auction or sale to designated users. LIPC notifies trading companies by tender, specifying cuts, grade, origin, delivery date, quantity, and price of beef to be imported.

In 1976, a significant increase over the volume of beef imported in 1975 is expected. Less domestically produced beef will be available, and demand is expected to remain strong, despite prices that are higher than those for pork, poultry, and some types of fish.

—Based on report from LARRY F. THOMASSON,
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Brazil Soybeans

Continued from page 4

port of 300,000 tons of Brazilian soybeans annually. Japan is interested, since it would permit further diversification of its sources of soybean supplies.

There have been reports that Brazil was negotiating with Poland for a long-term agreement involving soybean meal exports from Brazil. A final decision had not been made.

In 1975, some Brazilian cooperatives signed a contract with a French firm for establishment of a new oilseed processing plant near Bordeaux. The agreement provided for Brazilian stockholdings in the plant as well as first preference for supplying 300,000 tons of soybeans annually to the plant. Brazil would not, however, be the exclusive supplier of beans to this plant.

Despite measures to increase Brazilian exports of soybeans, a basic question remains: In a declining market, how low can prices of soybeans and products fall before soybean farmers stop expanding or shift to other crops?

Many farmers, if faced with declining returns from soybeans, probably would reduce planted area but would not abandon soybean production. This is particularly true where soybeans are double-cropped with wheat—a tremendous advantage that tends to favor soybean production over most other crops.

Also, because soybean farming in Brazil is more mechanized than production of other commodities, it is unlikely—in view of the investment in soybean production—that there would be a total switch to another crop.

Zaire Buys More U.S. Wheat

Zaire more than doubled its imports of U.S. wheat during 1975, but cut purchases of U.S. rice drastically and eliminated tobacco imports from the United States altogether.

Zaire bought 90,000 tons of U.S. wheat worth $16.4 million last year—compared with 46,000 tons worth $6.4 million in 1974. The increase was the result of the first full year of operation for Zaire's first large-scale flour mill at Matadi. Prior to the installation of the mill, Zaire imported flour rather than wheat, mostly from Western Europe.

Zaire's purchases of U.S. rice fell from $416,000 in 1974 to $76,000 last year, and tobacco purchases plunged from $2.7 million to none at all. Zaire was forced to cut back drastically on imports because the price of copper, which accounts for 70 percent of the country's foreign exchange earnings, dropped from $1.50 to 55 cents per pound. Zaire's current short-term debt resulting from the decline in copper prices is estimated at more than $500 million.

Copper prices are not expected to rise substantially in 1976, so Zaire will not soon have enough foreign exchange on hand to resume normal imports. Purchases of U.S. rice, leaf tobacco, and wheat should be boosted, however, by a recently issued $15 million line of credit from USDA's Commodity Credit Corporation.

The long-term outlook for Zaire is not unencouraging. Observers note that Zaire's wealth of natural resources give it strong economic potential.

—HERBERT H. STEINER, ERS

Brazil's Export Incentives for Soybeans

Continued from page 5

Brazilian Government.

Preferential financing the remaining potential major incentive for production of meal and oil for the export market, is available on a product-specific basis for 240 days at 8 percent interest. The current market rate is around 20 percent per annum, including the monetary correction factor. There are also special credit lines available at 12 percent and 16 percent for other types of export financing.

Depending on the interest rate on a particular loan, the effects of this incentive can be quite substantial to the crusher/exporter. Although a low interest rate is available, there appears to be a practice whereby the lending institution requires a compensating balance of a portion of the loan. Each use of this credit line would have to be examined individually so as to determine the exact amount of benefit derived.

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